



LEXSEE 814 F.2D 628

**Verdegaal Brothers, Inc., William Verdegaal, George Verdegaal, Appellees, v. Union Oil Company of California, BREA Agricultural Services, Inc., Appellants**

No. 86-1258

**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

*814 F.2d 628; 1987 U.S. App. LEXIS 175; 2 U.S.P.Q.2D (BNA) 1051*

**March 12, 1987, Decided**

**PRIOR HISTORY:** [\*1] Appealed from U.S. District Court for the Eastern District of California, Judge Coyle.

**DISPOSITION:** Reversed.

**COUNSEL:** Andrew J. Belansky, Christie, Parker & Hale, argued for Appellants. With him on the brief was David A. Dillard.

John P. Sutton, Limbach, Limbach & Sutton, argued for Appellee. With him on the brief was Michael E. Dergosits.

**JUDGES:** Markey, Chief Judge, and Davis and Nies, Circuit Judges.

**OPINION**

[\*630] NIES, Circuit Judge.

Union Oil Company of California and Brea Agricultural Services, Inc. (collectively Union Oil) appeal from a judgment of the United States District Court for the Eastern District of California, No. CV-F-83-68 REC, entered on a jury verdict which declared *U.S. Patent No. 4,310,343* ('343), owned by Verdegaal Brothers, Inc., "valid" and claims 1, 2, and 4 thereof infringed by Union Oil. Union Oil's motion for judgment notwithstanding the verdict (JNOV) was denied. We reverse.

I

**BACKGROUND**

*The General Technology*

The patent in suit relates to a process for making certain known urea-sulfuric acid liquid fertilizer prod-

ucts. These products are made by reacting water, urea (a nitrogen-containing chemical), and sulfuric acid (a sulfur-containing [\*2] chemical) in particular proportions. The nomenclature commonly used by the fertilizer industry refers to these fertilizer products numerically according to the percentages by weight of four fertilizer constituents in the following order: nitrogen, phosphorous, potassium, and sulfur. Thus, for example, a fertilizer containing 28% nitrogen, no phosphorous or potassium, and 9% sulfur is expressed numerically as 28-0-0-9.

*The Process of the '343 Patent*

The process disclosed in the '343 patent involves the chemical reaction between urea and sulfuric acid, which is referred to as an exothermic reaction because it gives off heat. To prevent high temperature buildup, the reaction is conducted in the presence of a nonreactive, nutritive heat sink which will absorb the heat of reaction. Specifically, a previously-made batch of liquid fertilizer -- known as a "heel" -- can serve as the heat sink to which more reactants are added. Claims 1 and 2 are representative:

1. In a process for making a concentrated liquid fertilizer by reacting sulfuric acid and urea, to form an end product, the improvement comprising:

a. providing a non-reactive, nutritive heat sink, capable [\*3] of dissipating the heat of urea and sulfuric acid, in an amount at least 5% of the end product,

b. adding water to the heat sink in an amount not

greater than 15% of the end product,

c. adding urea to the mixture in an amount of at least 50% of the total weight of the end product,

d. adding concentrated sulfuric acid in an amount equal to at least 10% of the total weight of the end product.

2. The process of claim 1 wherein the heat sink is recycled liquid fertilizer.

#### *Procedural History*

Verdegaa1 brought suit against Union Oil in the United States District Court for the Eastern District of California charging that certain processes employed by Union Oil for making liquid fertilizer products infringed all claims of its '343 patent. Union Oil defended on the grounds of noninfringement and patent invalidity under 35 U.S.C. §§ 102, 103. The action was tried before a jury which returned a verdict consisting of answers to five questions. Pertinent here are its answers that the '343 patent was "valid" over the prior art, and that certain of Union Oil's processes infringed claims 1, 2, and 4 of the patent. None were found to infringe [\*4] claims 3 or 5. Based on the jury's verdict, the district court entered judgment in favor of Verdegaa1.

Having unsuccessfully moved for a directed verdict under *Fed. R. Civ. P. 50(a)*, Union Oil timely filed a motion under *Rule 50(b)* for JNOV seeking a judgment that the claims of the '343 patent were invalid [\*631] under sections 102 and 103. The district court denied the motion without opinion.

II

#### ISSUE PRESENTED

Did the district court err in denying Union Oil's motion for JNOV with respect to the validity of claims 1, 2, and 4 of the '343 patent?

III

#### *Standard of Review*

When considering a motion for JNOV a district court must: (1) consider all of the evidence; (2) in a light most favorable to the non-moving party; (3) drawing all reasonable inferences favorable to that party; (4) without

determining credibility of the witnesses; and (5) without substituting its choice for that of the jury's in deciding between conflicting elements of the evidence. *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1512-13, 220 U.S.P.Q. (BNA) 929, 936 (Fed. Cir. [\*5] ), cert. denied, 469 U.S. 871, 83 L. Ed. 2d 150, 105 S. Ct. 220, 224 U.S.P.Q. (BNA) 520 (1984); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1546, 220 U.S.P.Q. (BNA) 193, 197 (Fed. Cir. 1983). A district court should grant a motion for JNOV only when it is convinced upon the record before the jury that reasonable persons could not have reached a verdict for the nonmoving party. *Railroad Dynamics*, 727 F.2d at 1513, 220 U.S.P.Q. (BNA) at 936; *Connell*, 722 F.2d at 1546, 220 U.S.P.Q. (BNA) at 197.

To reverse the district court's denial of the motion for JNOV, Union Oil must convince us that either the jury's factual findings are not supported by substantial evidence, or, if they are, that those findings cannot support the legal conclusions which necessarily were drawn by the jury in forming its verdict. See *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 893, 221 U.S.P.Q. (BNA) 669, 673 (Fed. Cir.), cert. denied, 469 U.S. 857, 83 L. Ed. 2d 120, 105 S. Ct. 187 (1984), *Railroad Dynamics*, 727 F.2d at 1512, 220 U.S.P.Q. (BNA) at 936. [\*6] Substantial evidence is more than just a mere scintilla; it is such relevant evidence from the record taken as a whole as a reasonable mind might accept as adequate to support the finding under review. *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 229, 83 L. Ed. 126, 59 S. Ct. 206 (1938); *Perkin-Elmer*, 732 F.2d at 893, 221 U.S.P.Q. (BNA) at 673; *SSIH Equip. S.A. v. U.S. Int'l Trade Comm'n*, 718 F.2d 365, 371 n.10, 218 U.S.P.Q. (BNA) 678, 684 n.10 (Fed. Cir. 1983). A trial court's denial of a motion for JNOV must stand unless the evidence is of such quality and weight that reasonable and fair-minded persons in the exercise of impartial judgment could not reasonably return the jury's verdict. *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 758, 221 U.S.P.Q. (BNA) 473, 477 (Fed. Cir. 1984).

Our precedent holds that the presumption of validity afforded a U.S. patent by 35 U.S.C. § 282 requires that the [\*7] party challenging validity prove the facts establishing invalidity by clear and convincing evidence. *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360, 220 U.S.P.Q. (BNA) 763, 770 (Fed. Cir.), cert. denied, 469 U.S. 821, 83 L. Ed. 2d 41, 105 S. Ct. 95 (1984). Thus, the precise question to be resolved in this case is whether Union Oil's evidence is so clear and convincing that reasonable jurors could only conclude that the claims in issue were invalid. See *Perkin-Elmer*, 732 F.2d at 893, 221 U.S.P.Q. (BNA) at 673; *Railroad Dynamics*, 727 F.2d at 1511, 220 U.S.P.Q. (BNA) at 935.

### Anticipation

A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference. *See, e.g., Structural Rubber Prods. Co. v. Park Rubber Co.*, 749 F.2d 707, 715, 223 U.S.P.Q. (BNA) 1264, 1270 (Fed. Cir. 1984); *Connell*, 722 F.2d at 1548, 220 U.S.P.Q. (BNA) at 198; *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760, 771, 218 U.S.P.Q. (BNA) 781, 789 (Fed. Cir. 1983), [\*8] cert. denied, 465 U.S. 1026, 79 L. Ed. 2d 687, 104 S. Ct. 1284, 224 U.S.P.Q. (BNA) 520 (1984). Union Oil asserts that the subject claims of the '343 patent [\*632] are anticipated under 35 U.S.C. § 102(e)<sup>1</sup> by the teachings found in the original application for U.S. Patent No. 4,315,763 to Stoller, which the jury was instructed was prior art.

#### 1 Section 102(e) provides:

A person shall be entitled to a patent unless -- . . .

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent. . . .

From the jury's verdict of patent validity, we must presume [\*89] that the jury concluded that Union Oil failed to prove by clear and convincing evidence that claims 1, 2, and 4 were anticipated by the Stoller patent. *See Perkin-Elmer*, 732 F.2d at 893, 221 U.S.P.Q. (BNA) at 673; *Railroad Dynamics*, 727 F.2d at 1516, 220 U.S.P.Q. (BNA) at 939. Under the instructions of this case, this conclusion could have been reached only if the jury found that the Stoller patent did not disclose each and every element of the claimed inventions. Having reviewed the evidence, we conclude that substantial evidence does not support the jury's verdict, and, therefore, Union Oil's motion for JNOV on the grounds that the claims were anticipated should have been granted.

The Stoller patent discloses processes for making both urea-phosphoric acid and urea-sulfuric acid fertilizers. Example 8 of Stoller specifically details a process for making 30-0-0-10 urea-sulfuric acid products. There

is no dispute that Example 8 meets elements b, c, and d of claim 1, specifically the steps of adding water in an amount not greater than 15% of the product, urea in an amount of at least 50% of the product, and concentrated sulfuric acid in an amount [\*10] of at least 10% of the product. Verdegaa disputes that Stoller teaches element a, the step of claim 1 of "providing a non-reactive, nutritive heat sink." As set forth in claim 2, the heat sink is recycled fertilizer.<sup>2</sup>

2 Claim 4 is written in terms of approximate percentages of all reactants by weight of the end product. No argument is made that the process of claim 4 would result in a fertilizer product any different from that disclosed by Example 8 of Stoller.

The Stoller specification, beginning at column 7, line 30, discloses:

Once a batch of liquid product has been made, it can be used as a base for further manufacture. This is done by placing the liquid in a stirred vessel of appropriate size, adding urea in sufficient quantity to double the size of the finished batch, adding any water required for the formulation, and slowly adding the sulfuric acid while stirring. Leaving a heel of liquid in the vessel permits further manufacture to be conducted in a stirred fluid mass.

This portion [\*11] of the Stoller specification explicitly teaches that urea and sulfuric acid can be added to recycled fertilizer, i.e., a heel or base of previously-made product. Dr. Young, Union Oil's expert, so testified. Verdegaa presented no evidence to the contrary.

Verdegaa first argues that Stoller does not anticipate because in Stoller's method sulfuric acid is added slowly, whereas the claimed process allows for rapid addition. However, there is no limitation in the subject claims with respect to the rate at which sulfuric acid is added, and, therefore, it is inappropriate for Verdegaa to rely on that distinction. *See SSIH*, 718 F.2d at 378, 218 U.S.P.Q. (BNA) at 689. It must be assumed that slow addition would not change the claimed process in any respect including the function of the recycled material as a heat sink.

Verdegaa next argues that the testimony of Union Oil's experts with respect to what Stoller teaches could well have been discounted by the jury for bias. Discarding that testimony does not eliminate the reference itself as evidence or its uncontradicted disclosure that a base of

recycled fertilizer in a process may be used to make more of the product.

[\*\*12] Verdegaaal raises several variations of an argument, all of which focus on the [\*633] failure of Stoller to explicitly identify the heel in his process as a "heat sink." In essence, Verdegaaal maintains that because Stoller did not recognize the "inventive concept" that the heel functioned as a heat sink, Stoller's process cannot anticipate. This argument is wrong as a matter of fact and law. Verdegaaal's own expert, Dr. Bahme, admitted that Stoller discussed the problem of high temperature caused by the exothermic reaction, and that the heel could function as a heat sink.<sup>3</sup> In any event, Union Oil's burden of proof was limited to establishing that Stoller disclosed the same process. It did not have the additional burden of proving that Stoller recognized the heat sink capabilities of using a heel. Even assuming Stoller did not recognize that the heel of his process functioned as a heat sink, that property was inherently possessed by the heel in his disclosed process, and, thus, his process anticipates the claimed invention. *See In re Oelrich*, 666 F.2d 578, 581, 212 U.S.P.Q. (BNA) 323, 326 (CCPA 1981); *In re Swinehart*, 58 C.C.P.A. 1027, 439 F.2d 210, 212-13, 169 U.S.P.Q. (BNA) 226, 229 (CCPA 1971). [\*\*13] The pertinent issues are whether Stoller discloses the process of adding urea and sulfuric acid to a previously-made batch of product, and whether that base would in fact act as a heat sink. On the entirety of the record, these issues could only be resolved in the affirmative.

3 There is no dispute that the percentage of heel described in Stoller meets the percentage of heat sink required by the claims.

On appeal Verdegaaal improperly attempts to attack the status of the Stoller patent as prior art, stating in its brief:

Verdegaaal also introduced evidence at trial that the Stoller patent is not prior art under 35 U.S.C. §§ 102(e)/103. Professor Chisum testified that the Stoller patent, in his opinion, was not prior art. . . . This conclusion finds support in *In re Wertheim*, 646 F.2d 527, 209 U.S.P.Q. (BNA) 554 (CCPA 1981), and 1 *Chisum on Patents* § 3.07[3].

Appellee Brief at 27 (record cite omitted). Seldom have we encountered such blatant distortion [\*\*14] of the record. A question about the status of the Stoller disclosure as prior art did arise at trial. Union Oil asserted that, even though the Stoller patent issued after the '343 patent, Stoller was prior art under section 102(e) as of its

filing date which was well before the filing date of Verdegaaal's application. Professor Chisum never testified that the Stoller patent was *not* prior art, but rather, stated that *he did not know* whether it was prior art. An excerpt from the pertinent testimony leaves no doubt on this point:

Q. (Mr. Sutton): And do you know whether the Stoller patent is prior art to the application of the Verdegaaal patent?

A. (Prof. Chisum): I don't know that it is, no.

We find it even more incredible that Verdegaaal would attempt to raise an issue with respect to the status of the Stoller patent given that the case was submitted to the jury with the instruction that the original Stoller patent application was prior art.<sup>4</sup> Verdegaaal made no objection to that instruction below, and in its appeal briefs, the instruction is cavalierly ignored.

4 The jury instruction read:

Stoller filed two patent applications -- an original application on October 30th, 1978, and a second on February 7th, 1980. Under the patent laws, the claims of the 343 patent are invalid if you find that the original application (Exhibit BL) anticipates the process claimed in the 343 patent.

[\*\*15] In sum, Verdegaaal is precluded from arguing that the Stoller patent should not be considered prior art. *See Fed. R. Civ. P. 51; Weiner v. Rollfilm Inc.*, 744 F.2d 797, 808, 223 U.S.P.Q. (BNA) 369, 375 (Fed. Cir. 1984), cert. denied, 470 U.S. 1084, 105 S. Ct. 1844, 85 L. Ed. 2d 143 (1985); *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 615, 222 U.S.P.Q. (BNA) 654, 662 (Fed. Cir.), cert. denied, 469 U.S. 1038, 83 L. Ed. 2d 405, 105 S. Ct. 516 (1984).<sup>5</sup>

5 Union Oil also argues that Verdegaaal's counsel misled the jury by its closing rebuttal argument:

But I think it's important to keep in mind that [Stoller] couldn't have been a prior patent because it issued a month after the Verdegaaal patent had issued.

We disapprove of Verdegaa's tactic which would form the basis for a grant of a motion for a new trial but for our conclusion that outright reversal of the ruling on the motion for JNOV is in order.

[\*\*16] [\*634] After considering the record taken as a whole, we are convinced that Union Oil established anticipation of claims 1, 2, and 4 by clear and convincing evidence and that no reasonable juror could find otherwise. Consequently, the jury's verdict on validity is unsupported by substantial evidence and cannot stand. Thus, the district court's denial of Union Oil's motion for JNOV must be reversed.

#### *Conclusion*

Because the issues discussed above are dispositive of this case, we do not find it necessary to reach the other

issues raised by Union Oil. \* In accordance with this opinion, we reverse the portion of the judgment entered on the jury verdict upholding claims 1, 2, and 4 of the '343 patent as valid under section 102(e) and infringed.

6 It should not be inferred that all of these issues were properly before us. Union Oil appears to assume that on appeal it may dispute the resolution of any *issue* which is denominated an "issue of law" even though it was not raised in its motion for JNOV. This is incorrect. See *Railroad Dynamics*, 727 F.2d at 1511, 220 U.S.P.Q. (BNA) at 934.

[\*\*17] REVERSED.